

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 088164

11
ORIGIN EB-02

INFO OCT-01 ARA-02 ISO-00 /005 R

66624
DRAFTED BY:EB/ICD/TRP:PPPILKAUSKAS
APPROVED BY:EB/ICD/TRP:TTTURQMAN

----- 125440

R 301948Z APR 74
FM SECSTATE WASHDC
TO AMEMBASSY SAN JOSE

LIMITED OFFICIAL USE STATE 088164

FOL RIO DE JANEIRO 1505 SENT ACTION SECSTATE INFO ABIDJAN
BOGOTA BRASILIA GUATEMALA LONDON MANAGUA MEXICO SAN SALVADOR
LUANDA SAO PAULO APRIL 26, 1974 REPEATED TO YU QUOTE

LIMITED OFFICIAL USE RIO DE JANEIRO 1505

E.O. 11652: N/A
TAGS: ETRD, EAGR, CO, BR
SUBJECT: BRAZILIAN COFFEE DEVELOPMENTS

REF: STATE 61311 (NOTAL)

1. CONSUL GENERAL AND ECON OFFICER CALLED IN IBC
PRESIDENT, CAMILO CALAZANS DE MAGALHAES, AFTERNOON OF
APRIL 24. CALAZANS DE MAGALHAES CLAIMED TO BE RELATIVELY
OPTIMISTIC ABOUT ABILITY OF PRODUCER AND CONSUMER
COUNTRIES TO REACH COMPROMISE AGREEMENT DURING FORTH-
COMING NEGOTIATIONS ON STRENGTHENING ICO. HE STATED
THAT BRAZIL, BEING SATISFIED WITH CURRENT INTERNATIONAL
DOLLAR PRICE OF COFFEE, WOULD NOT PRESS FOR FURTHER PRICE
INCREASE. RATHER, IT WOULD ASSERT ITS EFFORTS TO
SUSTAIN PRESENT REAL PRICE LEVEL. HE WOULD, THEREFORE,
EXPECT AGREEMENT TO GUARANTEE FURTHER PRICE INCREASES
REQUIRED TO OFFSET ANY FUTURE DECLINE IN PURCHASING POWER

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 088164

OF DOLLAR.

2. CALAZANS DE MAGALHAES WILL VISIT COLOMBIA AND COSTA RICA EARLY MAY TO DISCUSS CENTRAL AHERICAN COFFEE MARKETING SITUATION. BRAZIL PREPARED, HE STATED, TO HELP FINANCE CENTRAL AMERICAN EFFORTS TO SUSTAIN THEIR COFFEE PRICES THROUGH MORE STABLE MARKETING PROCEDURES. BEFORE ANY DEFINITE FINANCIAL OFFERS ARE MADE, HOWEVER, BRAZIL WISHES TO HEAR WHAT COLOMBIA, MEXICO AND CENTRAL AMERICANS ARE PREPARED TO DO. HE CLAIMED TO PREFER THAT MEXICO AND CENTRAL AMERICAN COUNTRIES JOIN CAFE MUNDIAL, BUT THAT MEXICO, PARTICULARLY, RESISTED THIS IDEA. THUS COMPROMISE MAY BE REACHED WHEREIN LATIN AMERICANS FORM SEPARATE ORGANIZATION THAT WOLD COOPERATE, AND SUBSEQUENTLY ASSOCIATE ITSELF, WITH CAFE MUNDIAL.

3. CALAZANS DE MAGALHAES EMPHASIZED THAT BRAZIL DOES NOT WISH INCREASE ITS PROPORTIONAL SHARE OF INTERNATIONAL COFFEE MARKET. BRAZIL, PARTICULARLY WHEN CURRENT PLANTING PROGRAM BEGINS TO TAKE EFFECT, WOULD LIKE TO SUSTAIN AN ANNUAL EXPORT LEVEL OF 20 TO 21 MILLION BAGS. THIS PROJECTION IS BASED UPON AN ESTIMATED AVERAGE ANNUAL CROP OF SOME 28 MILLION BAGS. BY CONTRAST, IBC CROP ESTIMATE FOR THIS YEAR IS 23 TO 25 MILLION BAGS. NEW IBC PRESIDENT STRESSED HIS DESIRE TO REDUCE GOVERNMENT INTERVENTION IN MARKET PROCESS, IMPLYING SEVERAL TIMES HIS DISAGREEMENT WITH PREVIOUS IBC ADMINISTRATION. HE ADMITTED THAT, ALTHOUGH EXPORTS DURING FIRST THREE MONTHS OF YEAR HAVE BEEN RELATIVELY GOOD, SALES DURING PAST FEW WEEKS HAVE BEEN LOW. HE OPTIMISTICALLY PREDICTED THAT SALES WOULD INCREASE ONCE CENTRAL AMERICAN COFFEE SITUATION HAS BEEN STABILIZED. CALAZANS DE MAGALHUES ALSO CONFIRMED THAT IBC IS PROVIDING 50 PERCENT OF DOMESTIC COFFEE CONSUMPTION AT SUBSIDIZED PRICE (PRESS REPORTS IBC SELLING THIS COFFEE FROM ITS STOCKS AT CR\$155 PER BAG WHEREAS MARKET PRICE IS CR\$340 -380 PER BAG). HE HOPES, HOWEVER, TO TERMINATE THIS POLICY BY THE END OF MAY.

4. DURING INTRODUCTORY DISCUSSION CALAZANS DE MAGALHAES MENTIONED IBC MAY MOVE TO BRASILIA DURING NEXT 12 - 18 MONTHS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 088164

5. COMMENT: CALAZANS DE MAGALHAES APPEARS BE CONSCIENTIOUS, STUDIOUS OFFICIAL UNDERGOING HIS FIRST SERIOUS EXPOSURE TO INTRICACIES OF COFFEE BUSINESS. HE LIKELY WILL FOLLOW ESTABLISHED BRAZILIAN PRICE AND PRODUCTION POLICIES. IN CASE OF ICO NEGOTIATIONS, FOR EXAMPLE, HIS STATEMENTS WERE VIRTUALLY CARBON COPIES OF WHAT HIS PRE-DECESSORS HAD BEEN SAYING. THIS SITUATION INDICATES

BRAZIL FEELS NO PRESSURE TO RENEGOTIATE STRONG ICO AGREEMENT. AT SAME TIME, IT DOES NOT WANT TO BEAR PUBLICLY RESPONSIBILITY FOR TERMINATING ICA. HE APPARENTLY IS LOOKING TO CAFE MUNDIAL AND A LJTIN AMERICAN ORGANIZATION AS AN ALTERNATIVE TO STRENGTHENED ICA. BRAZIL'S WILLINGNESS TO INVEST SUBSTANTIAL FUNDS IN SUPPORT OF CENTRAL AMERICAN COFFEE PRICES, HOWEVER, IS QUESTIONABLE. APRARENTLY IN COOPERATION WITH COLOMBIA LAST YEAR, IT HELPED SUPPORT CENTRAL AMERICAN PRICES AND REALIZED A PROFIT. THIS MANEUVER FEASIBLE ONLY BECAUSE OF RELATIVELY SCARCE SUPPLY SITUATION. BRAZIL UNLIKELY PURSUE SUCH A POLICY OVER LONGER TERM, PARTICULARLY IF SUPPLY IMPROVES.

BOONSTRA UNQUOTE RUSH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, EXPORTS, POLICIES, AGREEMENTS, PERSONNEL TRAVEL, PRICE TRENDS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE088164
Document Source: CORE
Document Unique ID: 00
Drafter: EB/ICD/TRP:PPPILKAUSKAS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740104-0133
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974042/aaaaaayi.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 61311 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by kelleyw0>; APPROVED <26 MAR 2003 by BoyleJA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRAZILIAN COFFEE DEVELOPMENTS
TAGS: ETRD, EAGR, OTRA, CO, BR, IBC, ICO, ICA, (DE MAGALHAES, CAMILO CALAZANS),
To: SAN JOSE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005